

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 IO-15 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03

SS-15 USIA-15 ACDA-19 AID-20 EB-11 CIEP-02 TRSE-00

STR-08 OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5814

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN UNN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

AMEMBASSY TOKYO

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E.O. 11652: NA

TAGS: EIND, ETRO, EEC

SUBJ: EC CY 1974 FERROUS SCRAP REQUIREMENTS

REF: (A) EC BRUSSELS 5536; (B) STATE 183681

1. SUMMARY. IN RESPONSE TO REFTEL B THE MISSION
OBTAINED THE FOLLOWING CY 1974 ESTIMATES ON EC STEEL
PRODUCTION AND FERROUS SCRAP REQUIREMENTS AS WELL AS
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THE MOST RECENT EC REGULATIONS ON FERROUS SCRAP EXPORTS.

THE INFORMATION WAS PROVIDED BY THE OFFICE OF JOHANNES PETRICK, DIRECTOR FOR STEEL IN DG-3 OF THE EC COMMISSION, DOCUMENTATION IS BEING AIRPOUCHED TO EUR/RPE, ATTENTION ALBRECHT. ED SUMMARY.

2. A. CY 1974 STEEL PRODUCTION FORECASTS FOR THE EC ARE ESTIMATED AT 155 MILLION METRIC TONS-MMT (171 MILLION SHORT TONS-MST). THE BREAKDOWN BY QUARTERS IS: FIRST QUARTER, 40 MMT (44 MST); SECOND QUARTER, 39 MMT (43 MST); THIRD QUARTER, 37 MMT (42 MST); FOURTH QUARTER, 39 MMT (43 MST). EC COMMISSION OFFICIALS EMPHASIZED THAT THE ABOVE ESTIMATES ARE VERY CONSERVATIVE AND EC STEEL PRODUCTION IS LIKELY TO BE HIGHER. THEY ALSO SAY QUARTERLY ESTIMATES ARE LESS FIRM THAN THE TOTAL. OUR CONTACTS EMPHASIZE THAT THE ABOVE ESTIMATES ARE NOT "NEGOTIATING" FIGURES BUT REPRESENT THEIR BEST "CONSERVATIVE" ESTIMATES. THEY EXPLAINED THAT THEY SOON WILL BE MAKING PUBLIC AN EC STEEL PROGRAM FOR 1974 AND THEREFORE COULD NOT HAVE DIFFERENT ESTIMATES DIRECTED AT DIFFERENT READERS.

B. THE FIRST ESTIMATE OF CY 1974 FERROUS SCRAP IMPORT REQUIREMENTS FROM OUTSIDE THE EC FOR THE EC OF NINE IN SHORT TTNS IS:

1ST QUARTER: .78 MST OF WHICH .34 MST FROM US.
2ND QUARTER: .67 MST OF WHICH .30 MST FROM US.
3RD QUARTER: .57 MST OF WHICH .25 MST FROM US
4TH QUARTER: .62 MST OF WHICH .28 MST FROM US.
TOTAL CY 1974: 2.64 MST OF WHICH 1.17 MST FROM US.
THE COMMISSION OFFICIALS STATED THAT THE ABOVE ESTIMATES ARE CONSERVATIVE AND ARE BASED ON AN ASSUMPTION OF A CERTAIN SLOWDOWN OF THE RATE OF STEEL PRODUCTION IN ITALY AND THE U.K. IF THE SLOWDOWN DOES NOT MATERIALIZE, PARTICULARLY IN THE U.K., THE SCRAP NEEDS FROM THE US WILL BE BEYOND THE ABOVE ESTIMATES.

C. REGARDING FERROUS SCRAP BUYING PATTERNS, EC OFFICIALS' BEST GUESS IS THAT HEAVY ORDERS WILL BE PLACED EARLY IN 1974 AND EARLY DELIVERIES WILL BE LIMITED OFFICIAL USE

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DESIRED.

D. REGARDING EXPORT CONTROLS ON FERROUS SCRAP, OFFICIALS EXPLAINED THAT THE BASIC EC REGULATION OF MARCH 6, 1953 PROHIBITS FERROUS SCRAP EXPORTS TO NON-EC COUNTRIES. HOWEVER, THE EC COUNCIL PERIODICALLY LOOKS AT THE FERROUS SCRAP SITUATION AND AUTHORIZES FERROUS SCRAP EXPORTS OF GIVEN QUANTITIES AND QUALITIES. ON JUNE 25, 1973

THE EC COUNCIL AUTHORIZED THE EXPORT OF 190,000 METRIC TONS (MT) OF FERROUS SCRAP OF ALL CATEGORIES FOR THE PERIOD FROM JULY 1 TO DECEMBER 31, 1973 WITH ONE SIXTH OF THE LICENSES TO BE ISSUED EACH MONTH. THE NATIONAL EXPORT QUOTAS WERE: WEST GERMANY - 70,000 MT, FRANCE - 80,000 MT, BENELUX - 40,000 MT. HOWEVER, ON JULY 23, THE EC COUNCIL DECIDED THAT GRANTING OF EXPORT LICENSES FOR FERROUS SCRAP WOULD BE SUSPENDED DURING THE MONTHS OF AUGUST AND SEPTEMBER EXCEPT FOR CERTAIN CATEGORIES. (NIMEXE HEADING EX 73.03.53; NIMEXE HEADING EX 73.03.59; NIMEXE HEADING EX 73.03.55). IT WAS DECIDED DURING THE WEEK OF SEPTEMBER 26 THAT FERROUS SCRAP EXPORTS WILL BE LICENSED AS PER THE EC COUNCIL DECISION OF JUNE 25 NOTED ABOVE - I.E. ABOUT 32,000 MT PER MONTH FOR THE REMAINING MONTHS OF THE YEAR.

3. COMMENT: THE MISSION RAISED THE OBVIOUS QUESTION OF WHY THE EC IS LICENSING EXPORTS OF SCRAP AT THE SAME TIME THAT ITALY APPARENTLY HAS A SERIOUS SHORTFALL AND THE EC IS PRESSING THE US FOR ADDITIONAL SCRAP (REFTEL A). THE COMMISSION OFFICIALS REPLIED THAT THE TRADE IS TO A LARGE EXTENT BORDER TRADE AND IT ALSO INVOLVES SMALL LOADS SHIPPED ON COASTAL VESSELS THAT COULD NOT ECONOMICALLY TRANSPORT SCRAP TO ITALY. SOME EXAMPLES GIVEN WERE: BORDEAUX TO BILBAO, SPAIN; SOUTHERN GERMANY TO AUSTRIA; SMALL SHIPMENTS OUT OF ROTTERDAM. HARTMAN

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